Master Small Business Accounting in 5 Days

DAY 1: Get Your Books in Order – The Basics of Small Business Accounting

Welcome to **Day 1** of the **Master Small Business Accounting in 5 Days** course! Over the next five days, you'll learn how to take control of your business finances with confidence—no accounting degree required.

Today, we're starting with the **foundations of small business accounting**. Before you can track your income, expenses, and profits effectively, you need to understand the basics.

Why Accounting Matters for Your Business

Accounting isn't just about tracking numbers—it's about making **informed decisions** that help your business grow. Proper bookkeeping ensures that you:
✅ Know where your money is going
✅ Avoid costly tax mistakes
✅ Make smart financial decisions
✅ Prepare for business growth

Now, let's break down some fundamental **accounting terms** you need to know.

Essential Accounting Terms Every Business Owner Should Know

📌 **Revenue** – The total money your business earns from sales or services.
📌 **Expenses** – The costs of running your business (rent, supplies, software, etc.).
📌 **Profit (Net Income)** – Revenue minus expenses. This is your bottom line.
📌 **Assets** – What your business owns (cash, equipment, inventory, etc.).
📌 **Liabilities** – Debts or obligations (loans, credit card balances, unpaid bills).
📌 **Equity** – Your business's value after liabilities are deducted from assets.

Understanding these key terms will make managing your finances much easier.

Cash vs. Accrual Accounting: Which One is Right for You?

There are two primary ways to record transactions in accounting:

✔ **Cash Accounting** – Revenue and expenses are recorded **when cash is received or spent**. Simple and great for small businesses.

✔ **Accrual Accounting** – Revenue and expenses are recorded **when earned or incurred**, regardless of when cash is exchanged. More complex but provides a clearer financial picture.

💡 *If you're a freelancer, solo entrepreneur, or run a small business with straightforward finances, cash accounting is usually the easiest method.* However, if you manage inventory or deal with invoicing and accounts payable, accrual accounting may be a better fit.

Action Step: Get Your Accounting System in Place

To stay organized, you need an accounting system. You can start with a simple **spreadsheet (Google Sheets or Excel)** or use accounting software like **QuickBooks, Wave, or FreshBooks**.

📌 **Your task for today:**

- Decide whether you'll use **cash or accrual accounting**
- Choose an accounting tool (spreadsheet or software) to start tracking income & expenses

Coming Up Tomorrow…

In **Day 2**, we'll discuss how to **set up and organize your Chart of Accounts** so that every dollar in your business is categorized correctly.

DAY 2: How to Organize Your Finances Like a Pro

Welcome to Day 2 of the Master Small Business Accounting in 5 Days course!

Now that you understand the basics of accounting, it's time to get organized. A well-structured accounting system saves you time, prevents financial mistakes, and gives you a clear picture of your business's health.

Today, we're focusing on the Chart of Accounts (COA)—the backbone of your accounting system.

What is a Chart of Accounts (COA) and Why is it Important?

Your Chart of Accounts is the list of categories you use to track your income, expenses, assets, and liabilities. Think of it as a filing system for your finances—when money comes in or goes out, it gets recorded in the right category.

Without a properly structured COA, your financial reports can become messy and unreliable, making tax time and business decision-making much harder.

The Key Sections of a Chart of Accounts

A basic Chart of Accounts consists of five main categories:

1️⃣Assets – What your business owns (cash, accounts receivable, inventory, equipment).
2️⃣Liabilities – What your business owes (loans, credit card balances, unpaid bills).
3️⃣Equity – The owner's stake in the business (retained earnings, capital investments).
4️⃣Income (Revenue) – Money coming into your business (sales, service income).
5️⃣Expenses – Costs of running your business (rent, advertising, software, payroll).

Example Chart of Accounts for a Small Business:

✅ Assets:

- Cash on Hand
- Business Checking Account
- Accounts Receivable
- Equipment

✅ Liabilities:

- Business Loan
- Credit Card Balance
- Taxes Payable

✅ Equity:

- Owner's Contributions
- Retained Earnings

✅ Income:

- Sales Revenue
- Service Revenue

✅ Expenses:

- Rent
- Utilities
- Marketing & Advertising
- Office Supplies
- Software Subscriptions
- Professional Services (Accountants, Lawyers)

💡 *Tip: The more detailed your categories, the clearer your financial reports will be.*

How to Set Up Your Chart of Accounts

1️⃣Start with broad categories (e.g., "Marketing" instead of "Facebook Ads").
2️⃣Avoid unnecessary complexity—keep it simple and relevant to your business.
3️⃣Use accounting software to help organize and automate COA tracking.

If you're using QuickBooks, Wave, or FreshBooks, they provide a default COA that you can customize to fit your business needs.

Action Step: Create or Review Your Chart of Accounts

📌 Your task for today:

- If you don't have a COA, create one using the example above.
- If you already have one, review it to ensure it's organized and easy to use.
- If using accounting software, customize your COA to fit your specific business needs.

Coming Up Tomorrow…

In Day 3, we'll cover Bookkeeping Basics—how to properly record transactions and track income/expenses without getting overwhelmed.

DAY 3: How to Stay on Top of Your Business Finances

Welcome to **Day 3** of the **Master Small Business Accounting in 5 Days** course!

Now that you have a **Chart of Accounts** set up, it's time to put it to use by **tracking your income and expenses properly**. This is where **bookkeeping** comes in.

Bookkeeping is the daily practice of **recording, categorizing, and reconciling financial transactions**. Doing this correctly will save you headaches at tax time and help you **make better financial decisions**.

The Key Components of Bookkeeping

📌 **1. Recording Income & Expenses**
Every financial transaction in your business falls into **one of two categories**:
✔ **Income:** Sales, service fees, rental income, etc.
✔ **Expenses:** Rent, advertising, software, supplies, etc.

💡 *Your goal is to track every dollar that moves in and out of your business.*

📌 **2. Keeping Receipts & Documentation**
The IRS requires small businesses to keep financial records for at least **3-7 years**. Save receipts for expenses, invoices for sales, and statements for bank transactions.
✔ Use a digital filing system (Google Drive, Dropbox)
✔ Consider receipt scanning apps like **Expensify or Shoeboxed**

📌 **3. Bank Reconciliation**
Bank reconciliation means **comparing your accounting records with your actual bank statements** to ensure everything matches. Do this **at least once a month** to:
✔ Spot errors or missing transactions
✔ Identify fraudulent activity or unauthorized charges
✔ Keep your records accurate for tax purposes

How to Record Transactions (Manually vs. Software)

You can track transactions using:

✅ **Spreadsheet (Manual Method)**

- Use Google Sheets or Excel to log income & expenses
- Create columns for **Date, Description, Category, Amount, Payment Method**

✅ **Accounting Software (Automated Method)**

- QuickBooks, FreshBooks, or Wave automatically sync with your bank
- Categorizes transactions for you
- Generates financial reports instantly

💡 **If you have fewer than 20 transactions per month, a spreadsheet works fine. For anything more, software will save you time.**

Action Step: Reconcile Your Transactions

📌 **Your task for today:**
1️⃣Review your **income and expense records** for the past 30 days.
2️⃣Categorize each transaction properly using your **Chart of Accounts**.
3️⃣Reconcile your bank account by comparing your records with your bank statement.

This ensures your records are **accurate and up to date!**

Coming Up Tomorrow…

In **Day 4**, we'll dive into **Financial Reports**—how to **read and analyze your Profit & Loss Statement, Balance Sheet, and Cash Flow Statement**.

DAY 4: The 3 Reports That Will Change the Way You Run Your Business

Welcome to **Day 4** of the **Master Small Business Accounting in 5 Days** course!

Now that you're tracking your transactions correctly, it's time to turn those numbers into **valuable insights**. This is where **financial reports** come in.

Your **financial reports tell the real story** of your business's health, profitability, and cash flow. Today, we'll cover the three most important reports **every small business owner must understand**.

1. Profit & Loss Statement (P&L) – Is Your Business Making Money?

Also called the **Income Statement**, this report shows your **revenue, expenses, and profit** over a specific period (monthly, quarterly, yearly).

Formula:
💰 **Revenue** – 💸 **Expenses** = 📈 **Profit (or Loss)**

Why It Matters:

✔ Helps you track **profitability**
✔ Shows trends in **income and expenses**
✔ Helps you **cut unnecessary costs**

💡 *Example:* If your revenue is increasing, but your profit remains low, it might be time to analyze your expenses.

👉 **Where to find it?** Most accounting software generates this automatically. If using a spreadsheet, subtract total expenses from total income.

2. Balance Sheet – What Is Your Business Worth?

This report gives you a **snapshot of your business's financial position** at any given time. It tracks your:

✔ **Assets (What You Own)** – Cash, inventory, equipment, accounts receivable
✔ **Liabilities (What You Owe)** – Loans, credit card debt, unpaid invoices
✔ **Equity (Your Net Worth)** – The difference between assets and liabilities

Formula:
📦 **Assets** – 📌 **Liabilities** = 💰 **Equity**

Why It Matters:

✔ Helps assess **financial stability**
✔ Shows if you're carrying **too much debt**
✔ Important when applying for **business loans**

💡 *Example:* If your liabilities are higher than your assets, your business may be at financial risk.

3. Cash Flow Statement – Can Your Business Pay Its Bills?

Cash flow measures how much money is **coming in and going out** of your business. This report is crucial because **even profitable businesses can run out of cash**.

Why It Matters:

✔ Helps you **avoid cash shortages**
✔ Shows whether your business can **cover expenses**
✔ Helps with **budgeting and planning**

💡 *Example:* If you're making sales but have **no cash in the bank**, your business might be struggling with late payments or overspending.

👉 **Where to find it?** Your accounting software may generate this report. If using a spreadsheet, track **cash received vs. cash spent** over time.

Action Step: Generate a Profit & Loss Statement

📌 **Your task for today:**
1️⃣ If using **accounting software**, generate a **Profit & Loss Statement** for the last 3 months.
2️⃣ If using a **spreadsheet**, calculate your total **revenue, expenses, and profit** manually.
3️⃣ Review your **expenses**—are there areas where you can **cut costs**?

Coming Up Tomorrow…

In **Day 5**, we'll cover **Advanced Accounting Tips & Tax Preparation**—how to **track deductions, save money on taxes, and know when to hire a professional**.

DAY 5: How to Optimize Your Accounting and Prepare for Tax Season

Congratulations! You've made it to **Day 5** of the **Master Small Business Accounting in 5 Days** course! 🎉

By now, you've learned how to track transactions, manage your Chart of Accounts, and read financial reports. Today, we'll take things **one step further** by covering **advanced accounting tips and tax preparation** so you can keep more of your hard-earned money.

1. Tracking Deductions & Tax-Saving Strategies

Did you know that many business expenses can be **deducted from your taxable income**? This reduces the amount of taxes you owe.

Common Tax Deductions for Small Businesses:

✅ **Home Office Expenses** – If you work from home, a portion of your rent, utilities, and internet may be deductible.
✅ **Office Supplies & Software** – Computers, printers, subscriptions (like software or marketing tools).
✅ **Business Meals** – 50% deductible when dining with clients or networking.
✅ **Vehicle Expenses** – Gas, mileage, and maintenance when using a car for business.
✅ **Marketing & Advertising** – Website hosting, ads, and promotional materials.
✅ **Professional Services** – Accountant, legal fees, and consultants.

💡 *Tip: Keep receipts and records for every deductible expense to avoid issues during tax time.*

2. Preparing Your Financial Records for Tax Filing

To make tax time easier, you should **organize your financial records throughout the year**. Here's a **simple checklist** to ensure you're ready:

📌 **Your Tax Preparation Checklist:**
✔ Generate your **Profit & Loss Statement** and **Balance Sheet**
✔ Gather all **receipts and invoices** (business expenses, income sources)
✔ Ensure all **bank accounts and transactions are reconciled**
✔ Review **estimated tax payments** (if applicable)
✔ Separate **personal and business expenses** (if not done already)

💡 *Tip: Using accounting software makes tax filing much easier since you can generate reports instantly.*

3. Understanding Estimated Taxes & Sales Tax

If you're **self-employed or own a small business**, you may need to **pay estimated taxes** throughout the year.

✔ **Quarterly Estimated Taxes** – If you expect to owe over $1,000 in taxes, you must **pay taxes every quarter** (April 15, June 15, Sept 15, Jan 15).
✔ **Sales Tax** – If you sell **physical products or taxable services**, you may need to **collect and remit sales tax** to your state.

💡 *Tip: Check your state's tax requirements to ensure you're compliant with sales tax laws.*

4. When to Consider Hiring a Professional Accountant

While many small business owners handle their own bookkeeping, there comes a time when hiring an **accountant or tax professional** is a smart investment.

✅ **Consider hiring a professional if:**

- You're making **$100K+ per year** and need tax-saving strategies.
- You have multiple income streams (products, services, investments).
- Your business is growing, and you need help with financial planning.
- You want to avoid costly tax mistakes.

Action Step: Create a Tax Preparation Checklist

📌 **Your task for today:**
1️⃣Review your **expenses** and identify which ones may be **tax deductible**.
2️⃣Ensure your **financial records are organized** for tax filing.
3️⃣If you're unsure about tax laws, consider consulting an accountant **before tax season**.

What's Next?

🎉 You've completed the **5-Day Small Business Accounting Course!**

By now, you should have a **solid understanding of small business accounting** and feel more confident managing your finances.

🚀 **Want to take your accounting even further?** Try GlassJar Accounting Software for free